

**STAFF REPORT**  
**City of Lancaster**  
**Lancaster Power Authority**

JNB 1
11/08/11
MVB

Date: November 8, 2011

To: Mayor/Chairman Parris and Council/Authority Members

From: Jason Caudle, Deputy City Manager

Subject: **Resolutions Regarding the Issuance of the Lancaster Power Authority's Revenue Bonds (Solar Renewable Energy Program).**

---

**City Council Recommendation:**

Adopt **Resolution No. 11-79**, approving the forms of and authorizing the execution of a Trust Agreement, a Bond Purchase Contract, a Property Lease, a Lease Agreement, a Continuing Disclosure Agreement and an Official Statement relating to the issuance of the Lancaster Power Authority's Revenue Bonds (Solar Renewable Energy Program) and approving certain actions in connection therewith.

**Lancaster Power Authority Recommendation:**

Adopt **Resolution No. PA 02-11**, approving the forms of and authorizing the execution of a Trust Agreement, a Bond Purchase Contract, a Property Lease, a Lease Agreement, a Continuing Disclosure Agreement and an Official Statement relating to the issuance of the Power Authority's Revenue Bonds (Solar Renewable Energy Program) and approving certain actions in connection therewith

**Fiscal Impact:**

The financing will provide proceeds sufficient for the Lancaster Power Authority ("Authority") to prepay for the electrical energy generated by the solar facilities to be constructed for Lancaster School District and Eastside School District (collectively, the "Districts"). The electrical power will then be sold to the Districts. It is anticipated that the Authority, over the life of the system will generate revenues in an amount at least equal to 130% of the amount of total bond debt service payments, and that the Districts will save approximately \$43 million in energy costs over the life of the system. The repayment of the bonds will be secured by revenue generated by the system, which are calculated to be sufficient to pay the annual debt service payments on the proposed bonds (the "Bonds"). It is anticipated that the ultimate source of the payment of the bonds will be revenues from the solar facilities; the bonds will be additionally secured by lease payments made by the City with respect to the assets of the city's sewer system as a secondary source of revenues. The City is only obligated to pay to the extent the revenues generated by the Solar systems are not sufficient and only from the city revenues that have not been pledged for Council approved priorities.

**Background:**

The Authority has entered into Solar Power Purchase Agreements (“PPAs”) with SolarCity Corporation (“SolarCity”), which provide for the acquisition of electrical energy produced by solar power generating facilities identified in the PPAs and in the Solar Power Sales Agreements between the Authority and the Districts.

The Authority has entered into twenty-one (21) Solar Power Sales Agreements with the Lancaster School District with respect to each of the respective Systems for the Lancaster School District and four (4) Solar Power Sales Agreements with the Eastside Union School District with respect to each of the respective Systems for Eastside School District (collectively, the "PSAs"). The PSAs require the Authority to construct the Systems and to thereafter provide the electricity to the Districts. The PSAs have an initial term of 25 years or longer if the Bonds are still Outstanding (the "Initial Term") commencing on the date that the construction of the respective System is mechanically complete and capable of providing electric energy to the delivery point. At the end of the Initial Term, the term may be extended for up to two additional five (5) year terms.

It has been estimated that the Districts could collectively save \$43.7 million in lower electricity costs over the life of the system, based on historical increases over a 20 year period provided by Edison, as compared to a 3.5% annual escalator that is included in the PPAs. In addition to the estimated savings the Districts will benefit by having predictable electricity costs over a 25 year period, and the shade structures will assist in the operation of the schools.

The forms of the Trust Agreement, Lease Agreement, Preliminary Official Statement, Bond Purchase Contract, and Continuing Disclosure Agreement are on file with the City Clerk.

**Attachments:**

Resolution No. 11-79

Resolution No. PA 02-11

Draft Preliminary Official Statement

Lancaster Power Authority Revenue Bonds Documents (available for review in the City Clerk’s Department)